

**PIERSON TOWNSHIP**  
**MONTCALM COUNTY, MICHIGAN**  
**AUDIT REPORT**  
**MARCH 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>PIERSON TOWNSHIP</b>	County <b>MONTCALM</b>
Fiscal Year End <b>MARCH 31, 2006</b>	Opinion Date <b>AUGUST 9, 2006</b>	Date Audit Report Submitted to State <b>AUGUST 29, 2006</b>	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>TERRY KIRKPATRICK, CPA, P.C.</b>		Telephone Number <b>231-796-3332</b>	
Street Address <b>211 MAPLE STREET</b>		City <b>BIG RAPIDS</b>	State <b>MI</b>
		Zip <b>49307</b>	
Authorizing CPA Signature 		Printed Name <b>Terry D. Kirkpatrick</b>	License Number <b>18035</b>

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**TERRY KIRKPATRICK, CPA, P.C.**  
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## **Independent Auditor's Report**

To the Township Board  
Pierson Township, Montcalm County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pierson Township, Montcalm County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Pierson Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Pierson Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pierson Township, Montcalm County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Pierson Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2006. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pierson Township, Montcalm County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan  
August 9, 2006

## *BASIC FINANCIAL STATEMENTS*

Pierson Township – Montcalm County, Michigan

Government Wide Statement of Net Assets

March 31, 2006

With Comparative Amounts at March 31, 2005

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 578,802	\$ 439,412
Accounts Receivable	18,260	17,433
Deferred Charges - Escrow	4,299	4,616
Receivables - Other Governmental Units	14,028	11,299
Capital Assets (Net)	39,827	41,987
	<hr/>	<hr/>
Total assets	\$ 655,216	\$ 514,747
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accrued Liabilities	\$ 150	\$ 8
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	39,827	41,987
Unrestricted	615,239	472,752
	<hr/>	<hr/>
Total net assets	655,066	514,739
	<hr/>	<hr/>
Total liabilities and net assets	\$ 655,216	\$ 514,747
	<hr/>	<hr/>

The "Notes to Financial Statements" are an integral part of these statements.

# Pierson Township – Montcalm County, Michigan

Government Wide Statement of Activities

For the Year Ended March 31, 2006

With Comparative Totals for the Year Ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	
	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>2006</u>	<u>2005</u>
<b>PRIMARY GOVERNMENT</b>					
General Government	\$ 156,706	\$ 0	\$ 0	\$ (156,706)	\$ (153,897)
Public Safety	60,587	0	0	(60,587)	(47,760)
Public Works	73,832	0	0	(73,832)	(87,783)
Cultural and Recreation	18,099	51,150	0	33,051	(32,424)
Other Functions	11,080	0	0	(11,080)	(11,099)
Depreciation (unallocated)	2,160	0	0	(2,160)	(2,160)
Total primary government	\$ 322,464	\$ 51,150	\$ 0	\$ (271,314)	\$ (335,123)

<b>General Revenues</b>			
Property Tax, levied for general operations	90,428	87,434	
State Grants	186,643	177,042	
Charges for Services	116,856	113,112	
Interest Earnings	12,195	1,858	
Other Revenue	5,519	7,299	
Total general revenues	411,641	386,745	
Change in Net Assets	140,327	51,622	
Net assets - Beginning of year	514,739	463,117	
Net assets - End of year	\$ 655,066	\$ 514,739	

The "Notes to Financial Statements" are an integral part of these statements.

*GOVERNMENTAL FUND FINANCIAL STATEMENTS*



Pierson Township – Montcalm County, Michigan  
Governmental Fund Balance Sheet  
March 31, 2006  
With Comparative Totals at March 31, 2005

	General Fund	Big Whitefish Lake S/A Fund	Non-Major Governmental Funds	Total Governmental Funds	Total 2005
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 439,217	\$ 104,285	\$ 35,300	\$ 578,802	\$ 439,412
Accounts Receivable	18,260	0	0	18,260	17,433
Deferred Charges - Escrow	4,299	0	0	4,299	4,616
Due from Montcalm County	6,888	900	1,077	8,865	10,596
Due from Cemetery Fund	191	0	0	191	191
Due from Current Tax Fund	5,163	0	0	5,163	703
Total assets	\$ 474,018	\$ 105,185	\$ 36,377	\$ 615,580	\$ 472,951
<b>LIABILITIES AND FUND EQUITY</b>					
Accrued Liabilities	\$ 0	\$ 150	\$ 0	\$ 150	\$ 8
Due to General Fund	0	0	191	191	191
Fund Balance - Unreserved and Undesignated	474,018	105,035	36,186	615,239	472,752
Total liabilities and fund equity	\$ 474,018	\$ 105,185	\$ 36,377	\$ 615,580	\$ 472,951
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets					
Total Governmental Fund Balances				\$ 615,239	\$ 472,752
Amounts reported for governmental activities in the statement of net assets are different because:					
Cost of capital assets, net of depreciation				39,827	41,987
Net assets of governmental activities				\$ 655,066	\$ 514,739

The "Notes to Financial Statements" are an integral part of these statements.

Pierson Township – Montcalm County, Michigan  
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended March 31, 2006  
 With Comparative Totals for the Year Ended March 31, 2005

	General Fund	Big Whitefish Lake S/A Fund	Non-Major Governmental Funds	Total Governmental Funds	Total 2005
<b>REVENUES</b>					
Property Tax	\$ 90,428	\$ 0	\$ 0	\$ 90,428	\$ 87,434
Licenses and Permits	12,136	0	0	12,136	20,009
State Grants	186,643	0	0	186,643	177,042
Charges for Services	104,125	0	595	104,720	113,303
Interest and Rents	10,023	1,766	406	12,195	1,858
Other Revenue	5,519	33,300	17,850	56,669	57,699
Transfer from BWL Fund	6,314	0	0	6,314	0
Transfer from LWL Fund	3,948	0	0	3,948	0
Total revenues	419,136	35,066	18,851	473,053	457,345
<b>EXPENDITURES</b>					
General Government	151,521	1,785	3,400	156,706	153,897
Public Safety	60,587	0	0	60,587	67,769
Public Works	73,832	0	0	73,832	87,783
Cultural and Recreation	0	4,252	13,847	18,099	82,824
Other Functions	11,080	0	0	11,080	11,099
Transfer to General Fund	0	6,314	3,948	10,262	0
Total expenditures	297,020	12,351	21,195	330,566	403,372
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	122,116	22,715	(2,344)	142,487	53,973
<b>Fund Balance - April 1,</b>	351,902	82,320	38,530	472,752	418,779
<b>Fund Balance - March 31,</b>	\$ 474,018	\$ 105,035	\$ 36,186	\$ 615,239	\$ 472,752

The "Notes to Financial Statements" are an integral part of these statements.

# Pierson Township – Montcalm County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2006

With Comparative Amounts for the Year Ended March 31, 2005

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	<u>2006</u>	<u>2005</u>
Net Change in Fund Balances - Total Government Funds	\$ 142,487	\$ 53,782
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	(2,160)	(2,160)
Change in Net Assets of Governmental Activities	<u>\$ 140,327</u>	<u>\$ 51,622</u>

The "Notes to Financial Statements" are an integrated part of these statements.

Pierson Township – Montcalm County, Michigan

Fiduciary Fund

Statement of Net Assets

March 31, 2006

With Comparative Amounts at March 31, 2005

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	<u>Agency Fund Type</u>	
	<u>Property Tax Collection Fund</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Cash Equivalents	\$ 5,163	\$ 1,552
LIABILITIES		
Due to General Fund	\$ 5,163	\$ 703
Due to Other Governmental Units	0	849
Total liabilities	\$ 5,163	\$ 1,552

The "Notes to Financial Statements" are an integrated part of these statements.

*NOTES TO FINANCIAL STATEMENTS*

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Pierson Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Pierson Township:

### **Reporting Entity**

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

### **Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Property taxes** – Pierson Township's property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property located within Pierson Township as of the preceding December 31<sup>st</sup>.

## Pierson Township – Montcalm County, Michigan

### Notes to Financial Statements

For the Year Ended March 31, 2006

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Although the Pierson Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Pierson Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of Pierson Township totaled approximately \$101,000,000, on which ad valorem taxes levied consisted of .5666 mills for the Township operating purposes. These amounts are recognized in the General Fund financial statements as Due from Montcalm County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Big Whitefish Lake Special Assessment Fund is used to record special assessment and interest for expenditures for weed control in the lake.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports two non-major special revenue funds for a cemetery fund, and also one for weed control on Little Whitefish Lake.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

### **Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> and are considered delinquent on March 1<sup>st</sup> of the following year, at which time interest and penalties are assessed.

**Capital Assets** – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building Improvements	15 to 30 Years
Equipment	5 to 10 Years

## Pierson Township – Montcalm County, Michigan

Notes to Financial Statements

For the Year Ended March 31, 2006

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1<sup>st</sup>. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

### NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 578,802

The bank balance of the primary government's deposits is \$584,550, of which \$301,000 is covered by federal depository insurance.

### NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Big Whitefish Lake S/A	Non-Major	Total
Taxes receivable from County	\$ 6,888	\$ 900	\$ 1,077	\$ 8,865



Pierson Township – Montcalm County, Michigan  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE E – CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and Improvements	\$ 12,947	\$ 0	\$ 0	\$ 12,947
Capital assets being depreciated				
Buildings	67,200	0	0	67,200
Equipment	9,300	0	0	9,300
Less Accumulated depreciation for Capital assets	(47,460)	(2,160)	0	(49,620)
Net capital assets	\$ 41,987	\$ (2,160)	\$ 0	\$ 39,827

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

**NOTE G – INTERFUND RECEIVABLES and PAYABLES**

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 5,163
General	Cemetery	191

**NOTE H – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

*REQUIRED SUPPLEMENTAL INFORMATION*

Pierson Township – Montcalm County, Michigan  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended March 31, 2006  
 With Comparative Actual Amounts for the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2005 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 351,902	\$ 351,902	\$ 351,902	\$ 0	\$ 276,681
Resources (inflows)					
Property Tax	80,000	80,000	90,428	10,428	87,434
Licenses and Permits	11,000	11,000	12,136	1,136	20,009
State Grants	180,000	180,000	186,643	6,643	177,042
Charges for Services	107,250	107,250	104,125	(3,125)	112,713
Interest and Rents	1,500	1,500	10,023	8,523	1,272
Other Revenue	1,050	1,050	5,519	4,469	7,299
Transfer from BWL Fund	0	0	6,314	6,314	0
Transfer from LWL Fund	0	0	3,948	3,948	0
Amounts Available for Appropriation	732,702	732,702	771,038	38,336	682,450
Charges to Appropriations (outflows)					
General Government					
Township board	63,500	63,500	30,842	32,658	30,297
Supervisor	17,000	17,000	14,841	2,159	13,581
Elections	8,100	8,100	669	7,431	8,089
Assessor	33,368	33,368	33,367	1	32,321
Clerk	22,000	22,000	20,131	1,869	21,643
Board of review	2,000	2,000	1,145	855	1,088
Treasurer	28,000	28,000	25,479	2,521	25,998
Townhall	11,777	11,777	11,777	0	9,896
Cemetery	16,670	16,670	13,270	3,400	10,984
Public Safety					
Fire protection	48,338	48,338	48,338	0	43,481
Planning and zoning	15,847	15,847	12,249	3,598	24,288
Public Works					
Highways, streets & bridges	99,200	99,200	72,895	26,305	85,728
Public Drain	1,000	1,000	425	575	1,274
Street lighting	1,000	1,000	512	488	781
Cultural and Recreation					
Library	0	0	0	0	10,000
Other Functions					
Insurance and Bonds	7,000	7,000	5,918	1,082	6,087
Social security/ medicare tax	6,000	6,000	5,162	838	3,191
Retirement	0	0	0	0	1,821
Total Charges to Appropriations	380,800	380,800	297,020	83,780	330,548
Budgetary Fund Balance - March 31,	\$ 351,902	\$ 351,902	\$ 474,018	\$ 122,116	\$ 351,902

Pierson Township – Montcalm County, Michigan  
 Budgetary Comparison Schedule  
 Big Whitefish Lake S/A Fund  
 For the Year Ended March 31, 2006  
 With Comparative Actual Amounts for the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>2005 Actual</u>
BEGINNING OF YEAR FUND BALANCE	\$ 82,320	\$ 82,320	\$ 82,320	\$ 0	\$ 112,667
Resources (inflows)					
Interest and Rents	0	0	1,766	1,766	479
Other Revenue - Special Assessments	33,000	33,000	33,300	300	32,400
Amounts Available for Appropriation	115,320	115,320	117,386	2,066	145,546
Charges to Appropriations (outflows)					
General Government	2,000	2,000	1,785	215	0
Recreation and Cultural					
Contract services	66,000	66,000	4,252	61,748	63,226
Transfer to General Fund	7,000	7,000	6,314	686	0
BUDGETARY FUND BALANCE - March 31,	\$ 40,320	\$ 40,320	\$ 105,035	\$ 64,715	\$ 82,320

*OTHER SUPPLEMENTAL INFORMATION*

Pierson Township – Montcalm County, Michigan

Balance Sheet

Non-Major Governmental Funds

March 31, 2006

With Comparative Totals at March 31, 2005

	Little Whitefish Lake S/A Fund	Cemetery Fund	2006 Totals	2005 Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 19,402	\$ 15,898	\$ 35,300	\$ 37,516
Due from County	1,077	0	1,077	1,205
Total assets	<u>\$ 20,479</u>	<u>\$ 15,898</u>	<u>\$ 36,377</u>	<u>\$ 38,721</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Due to General Fund	\$ 0	\$ 191	\$ 191	\$ 191
Fund Balance	20,479	15,707	36,186	38,530
Total liabilities and fund equity	<u>\$ 20,479</u>	<u>\$ 15,898</u>	<u>\$ 36,377</u>	<u>\$ 38,721</u>

Pierson Township – Montcalm County, Michigan  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended March 31, 2006  
With Comparative Totals for the Year Ended March 31, 2005

	Little Whitefish Lake <u>S/A Fund</u>	Cemetery <u>Fund</u>	2006 <u>Totals</u>	2005 <u>Totals</u>
<b>REVENUES</b>				
Charges for Services	\$ 0	\$ 595	\$ 595	\$ 590
Interest and Dividends	28	378	406	107
Other Revenues - Special Assessments	17,850	0	17,850	18,000
Total revenues	17,878	973	18,851	18,697
<b>EXPENDITURES</b>				
General Government	0	3,400	3,400	0
Recreation and Cultural	13,847	0	13,847	9,598
Transfer to General Fund	3,948	0	3,948	0
Total expenditures	17,795	3,400	21,195	9,598
EXCESS OF REVENUES OVER (UNDER) EXPE	83	(2,427)	(2,344)	9,099
FUND BALANCE - April 1,	20,396	18,134	38,530	29,431
FUND BALANCE - March 31,	\$ 20,479	\$ 15,707	\$ 36,186	\$ 38,530

**TERRY KIRKPATRICK, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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August 9, 2006

Members of the Township Board  
Pierson Township  
Montcalm County, MI

We recently completed our audit of the basic financial statements of Pierson Township for the year ended March 31, 2006. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Township. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

**ESCROW ACCOUNTS**

The Clerk has set up individual files for the various escrow accounts along with a sheet to record all income and expense items. She does need to be very mindful of the various invoices that come in to the Township pertaining to these escrow accounts to make certain that each get charged to the escrow account. Also, the sheet must be up-dated each time a new receipt or invoice is received.

If a particular account is closed out during the fiscal year, the sheet and financial records should still be maintained in a location with all other accounts for the fiscal year. This past year, accounts that had been closed out during the year were stored in several different locations.

In addition, there was at least one escrow account file that was not in the Clerk's possession. The records that are maintained by the Clerk contain only the escrow balance and copies of the invoices that pertain to that account; there should be no reason for these files to leave the Clerk's possession.

**SPECIAL ASSESSMENT FUNDS' FINANCIAL RECORDS**

The financial records for the Special Assessment Districts should be subject to the same internal controls and record-keeping requirements that the Township's General Fund has in place for both the Clerk and Treasurer. These funds are Township Funds despite the fact that they are for the benefit of only the people in the special assessment district.

The Treasurer currently has custody of the checks, so the Clerk should receive the bank statements directly from the bank. These two funds have small checks, which do not have separate lines for dual signatures, plus the bank has notified the Township that it will honor the Township checks even if only one signature is on the check. Both of these are fine. However, the Township can still have its own requirement that both the Clerk and Treasurer must sign the checks. Then when the cancelled checks come back from the bank and only one signature is on the check a red flag should be raised to find out why. The fact that the checks are small does not matter either. One may sign above the line and the other below.



Invoices to be paid by these funds should also be approved by the Township Board prior to payment just like the General Fund.

The work performed on the special assessment districts in getting them "set up" could very possibly be considered as being above and beyond the normal duties of the Clerk and Treasurer, which may justify additional compensation to both. Any such compensation to a Township Official should be supported by very detailed records to justify the time and work completed. The detailed records supporting additional compensation should then be presented to the Township Board for its approval. Probably the best way to do this transaction is for the General Fund to bill the special assessment district, and then the General Fund would pay the Official as a part of their salary so that it would be included in the Form W-2 and Forms 941. The normal book-keeping requirements of the Clerk and Treasurer for the Special Assessment Districts is most likely a "normal duty of the Clerk and Treasurer" which would not generate additional compensation to them above the salary set by resolution at the start of the fiscal year. Any additional compensation for those duties would have to be taken into account at salary resolution time.

For the two times this past year that the Clerk and Treasurer were compensated for the one-time charge of setting up the Districts, our recommendation is that the Clerk and Treasurer bring to the Board's attention what was done regarding the extra compensation paid to each. Most likely the extra compensation paid was legitimate, however, the required procedures for approval were not followed.

#### OTHER MATTERS

We have enjoyed working with your staff. Their assistance was instrumental in our timely completion of the audit.

We have submitted two copies of the audit report, the auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

*Tony Knight, CPA, P.C.*